



CITY OF BRANSON, MISSOURI

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**For The Fiscal Year Ended
September 30, 2007**

**Prepared by:
Department of Finance and Administration**

CITY OF BRANSON, MISSOURI
Comprehensive Annual Financial Report
Year Ended September 30, 2007

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CITY OF BRANSON

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March 19, 2008

Honorable Mayor
Members of the Board of Aldermen
Citizens of the City of Branson, Missouri

The City Administration is pleased to present the Comprehensive Annual Financial Report (CAFR) for the City of Branson, Missouri, for the fiscal year ended September 30, 2007. This report is submitted to you in compliance with Section 2-423 of the Branson City Code, which requires an annual report presentation to the Board of Aldermen on the financial condition of the City.

Responsibility to report complete and accurate financial data rests with the City. It is our belief that the information reported in this document fairly presents the financial position of the City in all material aspects on a government-wide and fund basis. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part of this document.

To ensure reliability of the accounting data on which the City's financial statements are based, internal controls are utilized to provide reasonable assurance that transactions are accounted for properly and the city's assets are safeguarded. Additionally, the Finance Department staff prepared this report in conformity with generally accepted accounting principles (GAAP) in the United States of America, which are standard guidelines for financial reporting, further ensuring that the financial position of the City is presented fairly in all material aspects.

The independent auditing firm of Cochran Head Vick & Co., P.C., audited the City of Branson's financial statements. The purpose of the audit was to provide reasonable assurance that the City's financial statements for the fiscal year ended September 30, 2007 are free of material misstatements. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the government-wide and fund financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Branson's MD&A can be found in the Financial Section immediately following the report of the independent auditors.

"The city will encourage the quality growth of a healthy, wholesome, clean environment in which people live, work and visit."

Profile of the City

The City of Branson (2007 population 7,435) is located in southwest Missouri, 35 miles south of Springfield within the heart of the Ozark Mountains. Branson is surrounded by three prize winning fishing and recreational lakes. The city is 19.8 square miles and plays host to an estimated 7.9 million visitors a year. The city has become the focus of international attention as both a major development area and an entertainment and tourism Mecca. The reasons are numerous and range from the scenic natural beauty of the region to the star studded theaters with their line-up of major recording artists, world-class shopping opportunities, lake activities and other family oriented entertainment offerings.

The City has operated under the Board of Aldermen-City Administrator form of government. The Board consists of the Mayor and six Board members who are elected on a nonpartisan basis. The Mayor serves a two-year term and is elected at large. Board members also serve a two year term with two members serving from each of three zones within the City, on a staggered two-year election rotation. The City Administrator is the chief executive officer of the City and is responsible for managing the city, enforcement of the laws and ordinances, direction of all officers, employees and departments and for carrying out the policies of the Board of Aldermen.

The City of Branson provides the full range of services normally associated with a municipality, including police and fire protection, emergency communication center, public works street services, facilities maintenance, recycling center, public health services, parks and other recreational facilities, development services and general administrative services. The City also operates the sanitary sewerage and the water treatment and distribution system, all of which are accounted for in the financial statements as business-type activities.

As the legislative body, the Board of Aldermen is responsible for enacting all ordinances, resolutions and regulations governing the City, as well as for appointing or electing the members of various statutory and ordinance boards, the City Administrator, the City Attorney and the City Clerk.

The annual budget serves as the foundation for the City of Branson's financial planning and control. During the budget preparation process, each office, department, etc., of the reporting entity provides detailed requests for expenditures for evaluation by the City Administrator. Each office, department, etc., also prepares a detailed 5-year Capital Budget Request Projection, which is submitted to the City Administrator. The City Administrator also reviews estimates for all pending capital projects and those recommended for approval in the next budget year. Prior to the beginning of each budget year, the City Administrator presents a proposed budget to the Board of Aldermen finance and budget committee. The City Administrator then submits to the entire Board of Aldermen a final proposed budget. The budget is prepared by fund, department and function. Transfers of appropriations within departments or between departments within a fund may be made with the approval of the City Administrator. However, transfers between funds must be approved by the Board of Aldermen.

Factors Affecting Financial Condition

Local Economy—in 2007, the City of Branson continued to benefit from prior year and recent economic development activities. Sales growth, as measured by state sales tax filings, is up 11.6%. The city continues to experience growth and expansion with new projects and venues under construction. Branson's economy is focused primarily on the seasonal tourism industry, which results in an average unemployment rate of 6.5%, slightly above the state average primarily created by the seasonal inactivity.

Tourism—Situated within an 8-hour drive of nearly 30% of the U.S. population, Branson and the Tri-Lakes area attracted an estimated 7.8 million visitors in 2007 who contribute well over a billion dollars into the local economy. Branson has been a "rubber tire" destination with the vast majority of tourists arriving by vehicles, RV's and tour buses. Branson holds the title of America's Top Motor Coach Vacation Destination. However, an increasing number of visitors are now flying into the area each year via the Springfield-Branson Regional Airport, the Taney County Airport at Pt. Lookout, Missouri and the Harrison Regional Airport at Harrison, Arkansas.

A survey of the American Society of Travel Agents (ASTA) ranked Branson the "number one up and coming most-booked destination for travel agents".

A geographical profile of Branson visitors shows the following:

Come from a radius of 100 miles or less	15%
Radius of 100 to 300 miles	23%
Radius of over 300 miles	62%
Average distance traveled	294 miles

The growth in tourism and the related construction activity over the last decade has greatly increased the tax revenues of the city, particularly sales and tourism tax revenues. Tourism growth has also placed a strain on the city's infrastructure. This pressure has resulted in significant infrastructure improvements over recent years, financed 100% by the increased revenues from sales and tourism taxes.

Area Theaters--Branson resounds with the best of American music. It is America's Live Entertainment Capital, and among its residents are some of the biggest names in contemporary and country music. The variety of music includes country, pop, gospel, bluegrass, western, rock n'roll, classical jazz and Broadway. There's also comedy, magic, Irish dancing and a variety of staging that defy easy labels. A successful Midwestern family vacation destination for many years, the music industry's rapid expansion in the past decade has launched the community into world-class tourism. It's been called a phenomenon. Branson is home to 50 music theaters with 59,757 seats that conduct live performances. There are approximately 10,000 more theater seats in Branson than on Broadway in New York City. Each theater hosts from one to three different shows daily. Collectively, they host more than 100 shows and offer live entertainment from early morning until late evening. Several of the widely known performers who came to the area are now permanent residents and actively involved in the community. In turn, these performers have helped to draw recognition to the immense pool of talent in all of Branson's theaters. Together, they create a diversity and balance to suit every musical and entertainment taste.

Family Attractions--Three big lakes—Table Rock, Taneycomo and Bull Shoals—offer some of the finest fishing in the nation and any freshwater activity you can imagine. You can enjoy boating, swimming, skiing, sailing, sunning, scuba diving, parasailing and sightseeing. Many excursion boats cruise the lakes providing passengers with lunch, dinner and sightseeing.

Three large area theme parks draw millions of visitors. These parks provide a wonderful venue for visitors of all ages. They feature unique crafters and artists, rides and amusements, live comedy and drama, many dining places, dozens of musicians and music shows, and water attractions such as wet rides and wave pools.

Golf--Nine golf courses are currently open in the Branson/Tri-Lakes Area, with a new 18-hole course under construction on the north edge of the city. Golfing is one of the fastest-growing interests of vacationers who can enjoy their favorite sport on a choice of courses within just a few miles of each other. Country clubs, pro shops, lessons, restaurants and all amenities are available. And who knows, you may see a familiar famous face or two teeing off on the next fairway. Many of Branson's entertainers enjoy golf and are often seen on local courses.

Outdoor Activities--Table Rock Lake is a freshwater fisherman's paradise. Fertile waters teaming with an assortment of America's top sport fish like bass and crappie make it the ideal spot for the novice and serious fisherman alike. Table Rock Lake is the scene of many national fishing tournaments.

Lake Taneycomo is equally famous as a cold-water trout waterway. Rainbow and brown trout abound. Missouri Department of Conservation maintains a fish hatchery near Table Rock Dam.

Bull Shoals Lake offers much of the same recreational opportunities as Table Rock Lake, only a few miles away. It's less densely developed than the Table Rock and Taneycomo areas; however, comfortable resorts and campgrounds are available along its shorelines.

Hikers can enjoy the outdoors on established nature trails that wind through forests and skirt the lakes' shorelines.

Spelunking, or cave exploration, is also available in the area.

Hunters come by the thousands each season for deer, turkey and other game.

For people who prefer to see the outdoors from the comfort of their vehicles, all numbered highways offer scenic vistas of the Ozarks.

Shopping-- Visitors consistently rank shopping among the most popular activities of the area. Shopping venues include Branson Landing with 1,000,000 sq. ft. of world-class shopping, the new Branson Hills / Branson Shoppes development offering Kohls, Target and Home Depot as well as a soon to open Best Buy and Walmart Super Center, three large factory outlet malls, a thriving downtown district and specialty stores throughout the city. Shoppers can find contemporary goods and handcrafted items all year round. Branson ranks near the top in the nation in the number of factory outlet stores

Lodging and Restaurants--Today over 18,808 rooms are available in local motels, hotels, resorts, and bed and breakfast inns. The current number of lodging facilities, excluding condominiums, is 207. Room rates range from \$22 per night for budget accommodations to \$600 for luxurious suites overlooking Table Rock Lake. Seasonal rates and senior citizen discounts apply at many lodging facilities.

Visitors have an endless variety of restaurants and food establishments from which to choose as there are 458 restaurants, coffee shops, and ice cream establishments with 35,813 seats within the city. Cuisines range from American to International.

Conference Facilities--The Branson area has several conference center hotels. A conference center with a 302-room hotel is located on the shores of beautiful Table Rock Lake and has the ability to accommodate up to 3,000 delegates. In addition, another facility one block from the world famous Highway 76 has meeting and conference capacity of 1,200. The City recently completed a 220,000 square foot convention and exhibition complex in conjunction with a convention center hotel all adjacent to the city's waterfront development Branson Landing on Lake Taneycomo in downtown Branson.

Long-term financial planning

The City of Branson utilizes a five-year capital improvement program to prioritize public projects. Projects are scheduled over a number of years, and are financed on a pay-as-you-go basis as funds become available. The exception to this rule was the redevelopment of the Taneycomo Lakefront and construction of a Convention Center in the downtown district. This project, including all infrastructure, convention center and other public improvements, have been financed through a series of bond issues secured with the city's annual appropriation pledge and tax increment financing. In addition to the \$40,000,000 bond issue of 2004, the city issued \$80,000,000 in TIF bonds in 2005 to complete the project. These projects will be supported by local property taxes, economic activity taxes and state sales taxes from within the district. The City always looks for creative funding solutions such as cost sharing with other governmental agencies, public-private cooperative efforts, and any other source of funding for projects that become available.

The City uses funding from the Tourism Tax and the Transportation Tax, net of debt service, exclusively to finance needed infrastructure extensions and improvements. The city has participated with Taney County in the extension of sewer services throughout the Fall Creek Basin and currently into the Bee Creek area. These projects have been financed through the county ½ cent sewer tax, state and federal grants and Department of Natural Resources loans.

Cash management policies and practices

The primary objectives, in priority order, of the City's investment activities encompass safety, liquidity and yield. Investments are undertaken in a competitive manner and are subject to restrictions imposed by the Constitution and laws of the State of Missouri, City ordinances, and documents authorizing the issuance of bonds, notes, or other obligations. The city may invest monies in

- Obligations of the State of Missouri
- United States Treasury Securities
- United States Government Instrumentality Obligations
- Forward Delivery Agreements
- Repurchase Agreements
- Collateralized Public Deposits

Risk Management

The City maintains all general liability insurance coverage with insurance provided through Akers & Arney, a local insurance brokerage.

Achievements and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Branson for its comprehensive annual financial report for the fiscal year ended September 30, 2006. This was the third consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

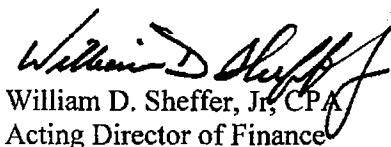
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Our appreciation is extended to the Mayor, the Board of Aldermen, department directors and all city employees for contributing to the sound financial condition of the City. Furthermore, the preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff.

Sincerely,



Frank Schoneboom
Acting City Administrator



William D. Sheffer, Jr., CPA
Acting Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Branson
Missouri

For its Comprehensive Annual

Financial Report

for the Fiscal Year Ended

September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Charles S. Cox

President

Jeffrey R. Emer

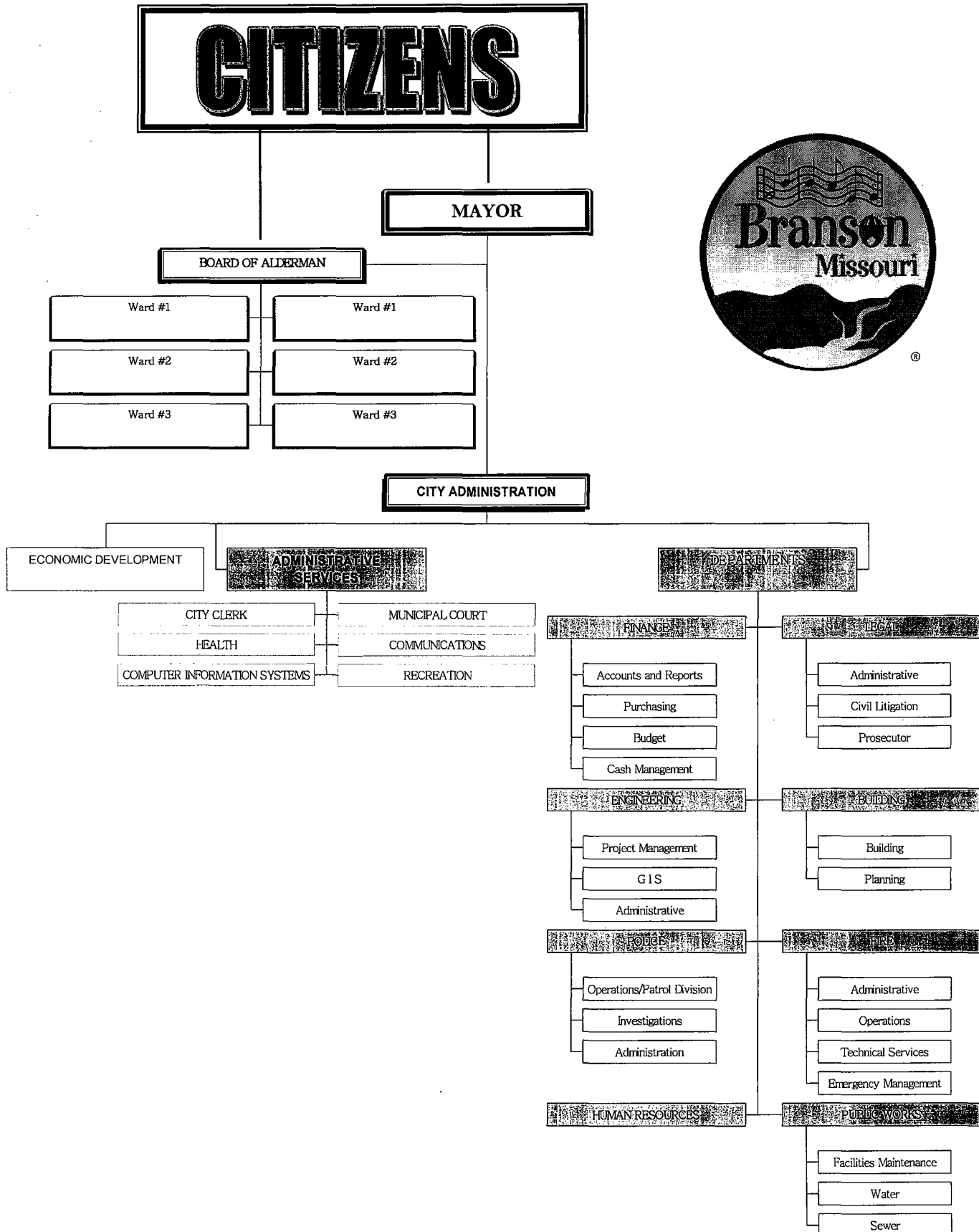
Executive Director

CITY OF BRANSON, MISSOURI

LIST OF PRINCIPAL OFFICIALS

Mayor	Raeanne Presley
Alderman	Stan Barker
Alderman	Bob McDowell
Alderman	Jack Purvis
Alderman	Dick Gass
Alderman	Sandra Williams
Alderman	Steven Marshall

Acting City Administrator	Frank Schoneboom
Acting Assistant City Administrator/City Attorney	Paul Link
Acting Finance Director	William Sheffer
Human Resources	Deborah Durler
City Engineer	David Miller
Planning & Development	Don Stephens
Police Chief	Carroll McCullough
Fire Chief	Carl Sparks
Public Works	Larry Van Gilder
Communications	Jerry Adams
City Clerk	Lisa Westfall
Health Officer	Linn Smith
Park & Recreation	Cindy Shook





COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

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Kansas City, MO 64153
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
City of Branson, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Branson, Missouri (the City) as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Other Offices

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317 W. Young
Warrensburg, MO 64093
(660) 747-9125
(660) 747-9490 FAX

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, tourism tax fund and transportation sales tax fund for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and other schedules, and statistical tables are presented for purposes of additional analysis are not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

January 15, 2008

Cochran Hand v. ch & Co PC

Management's Discussion and Analysis

As management of the City of Branson, Missouri, we offer readers of the City of Branson's financial statements this narrative overview and analysis of the financial activities of the City of Branson for the fiscal year ended September 30, 2007. We encourage readers to consider the information presented here in conjunction with the additional information we have furnished in our letter of transmittal.

Fiscal Year Financial Highlights

- The City's assets exceeded its liabilities at the close of fiscal year 2007 by \$140,727,459. Of this amount, \$14,879,215 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$2,799,819. Of this amount, \$4.2 million was from the City's "governmental activities," while the City's "business type activities" decreased by \$1.4 million. The positive increase in net assets is attributable to a significant increase in the revenues during 2007.
- During the 2007 fiscal year, the City of Branson's governmental funds have invested \$36,981,252 in capital assets. These expenditures represent a significant addition to the City's capital assets. The governmental funds use the modified accrual method of accounting which treats all expenditures for capital assets as current expenditures. Accordingly, the expenditure for capital assets was the primary reason for the \$29,674,002 reduction in the combined fund balance.
- At September 30, 2007, the general fund balance amounted to \$12,850,529 or 94% of general fund expenditures. The entire balance is available to be used to meet ongoing obligations to citizens and creditors.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Branson's basic financial statements. The City of Branson's basic financial statements consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Branson's finances, in a manner similar to a private-sector business.

The statement of net assets presents information regarding the City of Branson's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Branson is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City of Branson that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Branson include general government, public safety, tourism, public works, engineering services, community development and culture and recreation. The business-type activities of the City of Branson include a Water and Sewer Fund.

The government-wide financial statements can be found on pages 15-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Branson, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Branson can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Branson maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the tourism fund, transportation sales tax fund, debt service fund and the capital projects fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Branson adopts an annual budget for its general fund, debt service fund and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17-23 of this report.

Proprietary funds. The City of Branson maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's functions. The City of Branson uses an enterprise fund to account for its Water and Sewer System Operations. The City of Branson uses an internal service fund to account for its fleet of vehicles. Because the internal service fund predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide more detail of the City's business-type activities than the government-wide financial statements. The proprietary fund for water and sewer is a major fund of the City of Branson.

The internal service fund is presented in a single column in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Branson's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 27 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 28-44 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Branson's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 45 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 46-50 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At September 30, 2007, the City of Branson's assets exceeded liabilities by \$140,727,459.

By far the largest portion of the City of Branson's net assets (66 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, infrastructure, and equipment), less any outstanding related debt used to acquire those assets. The City of Branson uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Branson's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net assets

The following table reflects the condensed Statement of Net Assets:

City of Branson Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 54,288,633	\$ 87,267,979	\$ 3,475,969	\$ 2,675,082	\$ 57,764,602	\$ 89,943,061
Capital assets	211,163,163	180,667,133	74,312,148	76,417,333	285,475,311	257,084,466
Total assets	265,451,796	267,935,112	77,788,117	79,092,415	343,239,913	347,027,527
Long-term obligations	195,907,876	198,923,444	1,113,129	1,183,214	197,021,005	200,106,658
Other liabilities	4,399,708	8,041,532	1,091,741	951,697	5,491,449	8,993,229
Total liabilities	200,307,584	206,964,976	2,204,870	2,134,911	202,512,454	209,099,887
Net assets						
Invested in capital assets, net	19,723,346	22,280,129	73,609,515	75,427,333	93,332,861	97,707,462
Restricted	32,343,016	28,560,360	172,367	-	32,515,383	28,560,360
Unrestricted	13,077,850	10,129,647	1,801,365	1,530,171	14,879,215	11,659,818
Total net assets	\$ 65,144,212	\$ 60,970,136	\$ 75,583,247	\$ 76,957,504	\$ 140,727,459	\$137,927,640

An additional portion of the City of Branson's net assets (23 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14,879,215) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2007, the City of Branson reported positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. Positive balances also existed at September 30, 2006.

There was a decrease in net assets reported in connection with the City of Branson's business type activities. This results from the expenses related to the water and sewer utilities continuing to exceed the related charges for services.

The governmental net assets increased by \$4,174,076 during the current fiscal year. Most of this increase is a result of higher revenues when compared to the prior year. The main components of revenue growth are increases in sales taxes, tourism tax and intergovernmental activity tax.

Changes in Net Assets

The following table reflects the revenues and expenses from the City's activities:

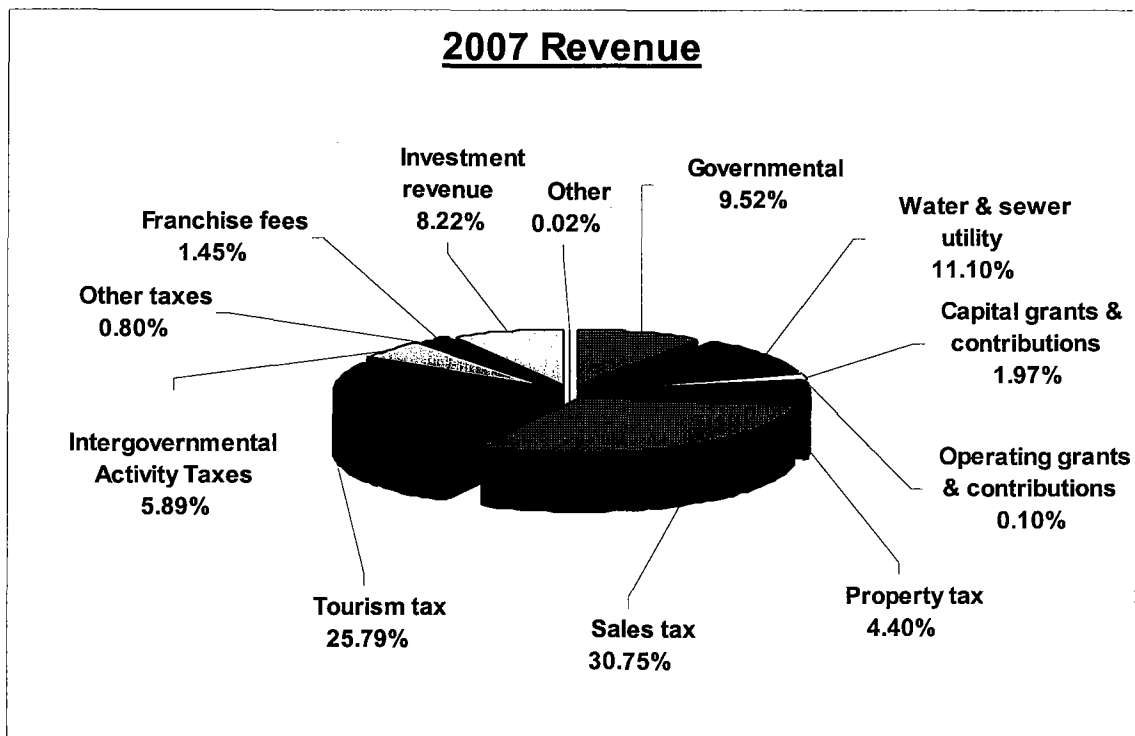
City of Branson Statement of Activities

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program revenues:						
Charges for services:						
Governmental	\$ 4,455,191	\$ 4,201,743	\$ -	\$ -	\$ 4,455,191	\$ 4,201,743
Water & sewer utility	-	-	5,195,680	4,980,028	5,195,680	4,980,028
Capital grants & contributions	324,518	265,216	596,804	-	921,322	265,216
Operating grants & contributions	45,622	345,589	-	-	45,622	345,589
General revenues:						
Property tax	2,061,835	1,793,951	-	-	2,061,835	1,793,951
Sales tax	14,394,566	13,000,198	-	-	14,394,566	13,000,198
Tourism tax	12,072,989	10,935,304	-	-	12,072,989	10,935,304
Intergovernmental Activity Taxes	2,757,898	628,570	-	-	2,757,898	628,570
Other taxes	373,763	331,027	-	-	373,763	331,027
Franchise fees	679,204	655,484	-	-	679,204	655,484
Investment revenue	3,802,081	4,513,670	45,957	59,211	3,848,038	4,572,881
Other	9,515	60,347	-	280,073	9,515	340,420
Total revenues	40,977,182	36,731,099	5,838,441	5,319,312	46,815,623	42,050,411
Expenses:						
General government	5,657,198	3,331,264	-	-	5,657,198	3,331,264
Public safety	5,708,173	5,614,712	-	-	5,708,173	5,614,712
Tourism	2,754,357	2,714,475	-	-	2,754,357	2,714,475
Public works	8,120,098	7,417,832	-	-	8,120,098	7,417,832
Engineering services	646,429	613,902	-	-	646,429	613,902
Community development	863,180	709,621	-	-	863,180	709,621
Culture and recreation	2,010,813	2,270,578	-	-	2,010,813	2,270,578
Interest on long-term debt	10,317,250	5,515,916	83,993	114,192	10,317,250	5,515,916
Water & sewer utility	-	-	7,854,313	7,472,937	7,938,306	7,587,129
Total expenses	36,077,498	28,188,300	7,938,306	7,587,129	44,015,804	35,775,429
Increase (decrease) in assets before transfers	4,899,684	8,542,799	(2,099,865)	(2,267,817)	2,799,819	6,274,982
Transfers	(725,608)	(1,658,925)	725,608	1,658,925	-	-
Increase (decrease) in net assets	4,174,076	6,883,874	(1,374,257)	(608,892)	2,799,819	6,274,982
Net assets, beginning	60,970,136	54,086,262	76,957,504	77,566,396	137,927,640	131,652,658
Total net assets	\$ 65,144,212	\$ 60,970,136	\$ 75,583,247	\$ 76,957,504	\$ 140,727,459	\$ 137,927,640

Governmental activities

Governmental activities increased the City of Branson's net assets by \$4,174,076, thereby, accounting for all of the increase in total net assets. Key elements of this increase are as follows:

- Sales and tourism taxes increased by \$2,532,053 (10.6 percent) during the year. Most of this increase is the result of economic development activities within the city.
- Intergovernmental activity taxes increased \$2,129,328 from 2006. These activity taxes consist of activity taxes from other governmental entities. The City uses these taxes to support related debt service requirements of the development districts.
- Governmental investment earnings decreased \$711,589, in part due to the decrease of capital project funds available for investment. Interest rates also fell during the year.
- Recreation fund revenues increased \$88,108 due to the reopening of a campground after the Branson Landing construction and the continued focus on sound management practices.
- Governmental capital grants increased by \$59,302, which results from a continuing emphasis of pursuing grants.

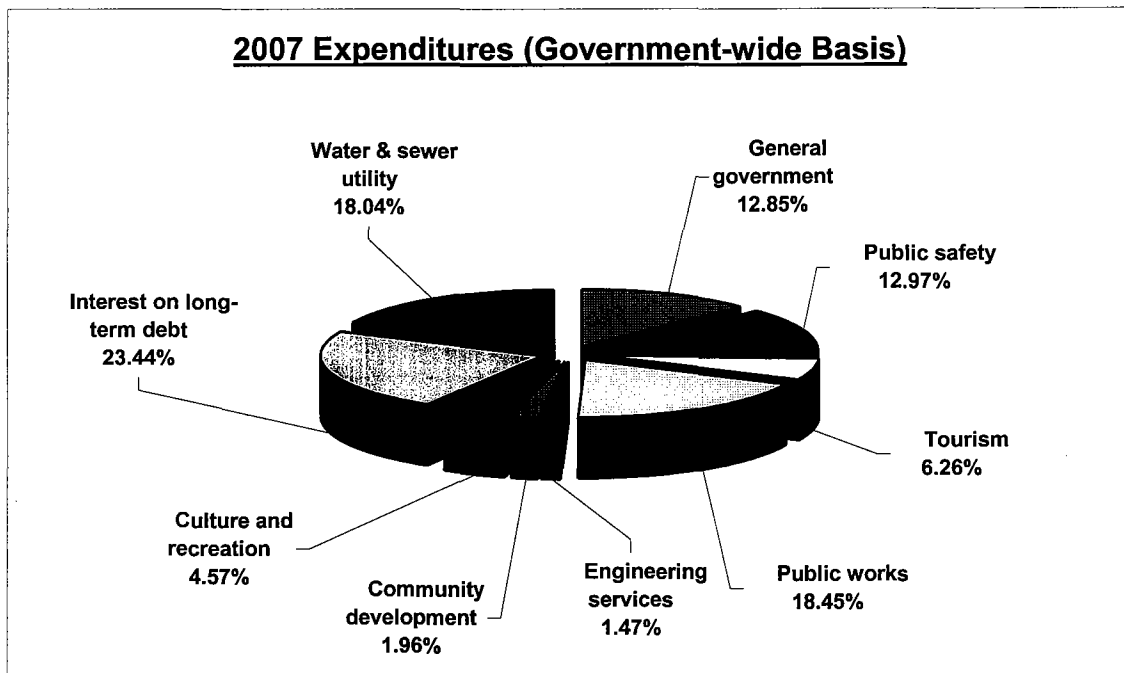


Significant changes in expenses over the last year include:

- Interest expense increased \$4.8 million. The increase primarily results from 1) interest paid in fiscal 2006 was capitalized in connection with the convention center and 2) interest expenses began to be paid on certain TIF debt in the current fiscal year to meet debt service requirements.
- General government expenses increased \$2.3 million largely influenced by the increased costs incurred in opening the new convention center.

Business-type activities. Business type activities decreased the City of Branson's net assets by \$1,374,257.

- Increases in expenses (primarily costs of producing new water and sewer connection fees) to operate the water and sewer utility continue to outstrip the related increases in charges for such services.
- During the year, there was a transfer of revenues from governmental activities amounting to \$725,608 which reduced the decrease in net assets from \$2,099,865 to \$1,374,257.
- Water and sewer rate increases have been approved for 2008 and 2009. This additional revenue should reduce the operating deficit of the Water & Sewer Fund.



Financial Analysis of the Government's Funds

As noted earlier, the City of Branson uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Branson's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Branson's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Branson's governmental funds reported combined ending fund balances of \$49,061,664. This reflects capital outlay's of almost \$37 million primarily for the convention center and related infrastructure, which is the main reason combined fund balance decreased \$29,674,002 in 2007. Approximately 35 percent of the total fund balance consists of unreserved, fund balance, which is available for spending at the government's discretion. The reserved or designated amount includes the city's designation of \$4,844,249 general fund balance, as a "contingency reserve". The remaining reserve that is not available for new spending has been committed primarily to liquidate contracts and purchase orders of the prior period, \$2,020,183, and to provide reserves for debt service \$29,408,885.

The fund balance of the City of Branson's general fund decreased by \$803,939 during the current fiscal year. Key factors in this decrease are as follows:

- An increase in expenditures related to the opening of the new convention center.
- Other across-the-board increases in general operating expenditures.

The capital projects fund has an ending fund balance at September 30, 2007 of \$3,771,249 a reduction of \$32,614,391. This reduction represents the expenditures of bond proceeds held within the fund at September 30, 2006 for the downtown revitalization and convention center project, which was substantially complete in August, 2007.

The tourism tax fund has a total fund balance at September 30, 2007 of \$11,388,958, of which \$107,342 is reserved for encumbrances. The remainder of \$11,281,616 is available for future debt service on tourism bonds and future capital projects.

The transportation sales tax fund has a total fund balance of \$2,001,423. This fund was extended by election in 2004 for the period of time necessary to construct and maintain the city's transportation infrastructure and to provide for debt service on capital projects. Annual revenues available for this purpose exceeded \$4,400,000.

The debt service fund has a total fund balance of \$18,948,775, all of which is available for future debt service. This is an increase of \$2,606,828 resulting primarily from Tax Increment Financing revenues.

Proprietary funds. The City of Branson's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer fund at the end of the year totaled \$1,579,758 and for the Equipment and Vehicle fund \$1,160,500. There was slight growth for both funds. Other factors concerning the finances of the Water and Sewer fund have already been addressed in the government-wide financial analysis.

General Fund Budgetary Highlights

Current fiscal year's revenues exceeded the prior year's fiscal revenues by \$1,379,684 but were \$167,150 less than budgeted revenues. General fund sales taxes revenues that relate to tax increment financing plans have been recorded in the debt service fund. to provide for debt service needs. Expenditures were \$508,491 below budget.

The city's budgeting practice is to use conservative estimates on revenue projections. In 2008, a greater effort has been made to accurately estimate the sales tax revenue being generated by the Tax Increment Financing Districts. Overall revenue trends anticipate significant growth. Savings in expenditures were achieved primarily in administrative and legal services.

Capital Asset and Debt Administration

Capital assets. The City of Branson's investment in capital assets for its governmental and business-type activities as of September 30, 2007 amounts to \$285,475,311 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, bridges, and construction-in-process on the Branson Landing and convention center project. The total increase in the City of Branson's investment in capital assets for the current fiscal year was \$28,390,845 or 11.04% (\$30,496,030 or 16.88% increase for governmental activities and a \$2,105,185 or 2.75% decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Construction was substantially completed on the Branson Landing and Convention Center Project.
- Construction was completed on Branson Landing Boulevard at a cost of \$5,114,151.
- Construction was completed on Sycamore Street at a cost of \$5,151,800.
- The Roark Creek bridge was completed at a cost of \$4,361,527.
- Business Highway 65 improvements were completed at a cost of \$3,292,825.
- Work continued on the Epps Extension/Fall Creek Road, with construction in process totals of \$5,099,249.
- The ongoing congestion study was funded with \$95,997 in 2007.
- Various city equipment and improvements totaled \$201,399.
- The Pacific Street water tower was finished with a total cost of \$3,102,922.
- Various building and system additions and improvements were completed in the Water and Sewer facilities at a cost of \$655,437.

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 48,004,331	\$ 47,920,328	\$ 3,784,962	\$ 3,784,962	\$ 51,789,293	\$ 51,705,290
Buildings	20,470,064	17,141,756	48,581,897	47,120,235	69,051,961	64,261,991
Land Improvements	760,363	774,824	-	-	760,363	774,824
Equipment and vehicles	7,268,018	2,858,098	948,579	1,100,103	8,216,597	3,958,201
Infrastructure	72,804,556	60,924,318	20,996,710	21,463,795	93,801,266	82,388,113
Construction in progress	61,855,831	51,047,809	-	2,948,238	61,855,831	53,996,047
Total	\$ 211,163,163	\$ 180,667,133	\$ 74,312,148	\$ 76,417,333	\$ 285,475,311	\$ 257,084,466

Additional information on the City of Branson's capital assets can be found in Note 5, on pages 35-36 of this report.

Long-term debt. At the end of the current fiscal year, the City of Branson had total bonded debt outstanding of \$194,977,000. Of this amount \$29,897,000 consists of revenue bonds backed by the city's tourism tax.

Debt administration. The City's debt issues are discussed in Note 7 to the basic financial statements. The City does not have any General Obligation debt at year-end. Revenue bonds outstanding are serviced primarily by the tourism tax; one issue is serviced with funds provided by the water & sewer utility. In 2007, the City issued tax refunding revenue bonds to advance refund \$1,600,000 of outstanding tourism tax revenue bonds. The net proceeds were deposited in trust with an escrow agent to provide for all future debt service payments on the refunded portion of the bonds. As a result, the refunded portion of the 1998B Bonds is considered defeased and the related liability for these bonds has been removed from long-term debt.

City of Branson Net Outstanding Debt

	FY 2007	FY 2006
<u>Government Activities</u>		
Special Limited Obligation Bonds	\$ 164,205,000	\$ 165,405,000
Tourism Tax Revenue Bonds	29,897,000	31,814,000
	<u>\$ 194,102,000</u>	<u>\$ 197,219,000</u>
<u>Business-type Activities</u>		
Water & Sewer Revenue Bonds	875,000	990,000
	<u>\$ 875,000</u>	<u>\$ 990,000</u>

Economic Outlook

The development and opening of the Branson Landing and Branson Hills retail developments has resulted in creating double-digit increases in sales tax receipts during 2007. Revenues have significantly expanded, surpassing the increases experienced in the 1990's. Comparing the 12 months of FY 2007 to the previous 12 months shows a growth of \$103 million in combined gross sales. Currently there is significant activity in all phases of development as well as all tourism amenities, motel/hotels, restaurants, and shopping. Tourism tax collections in 2007 were up between seven and ten percent in all areas when compared to 2006, with the exception of theatres. Most of this activity has been spurred by the development of the Branson Landing and Branson Hills Projects and the promotion of Branson as a travel destination by the Branson / Lakes Area Tourism Enhancement District.

The theaters are the only area of the local tourism economy that has not seen as great an increase as other tourism areas. Sight and Sound, a new theater complex, will be opening in May 2008. Theatres continue to be a viable segment of the economy and Sight and Sound should reinforce that fact.

A group of private investors has formed to build an airport just south of the city limits of Branson. Its development should positively impact the ability of tourists to access the city's attractions.

Financial Contact

The City's financial statements are formatted to present users with a general overview of the City's finances and to demonstrate the City's accountability. Questions or requests for additional information should be directed to the Director of Finance, 110 W. Maddux, Branson, Missouri 65616.

CITY OF BRANSON, MISSOURI
Statement of Net Assets
September 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 17,730,078	\$ 1,387,116	\$ 19,117,194
Receivables, net:			
Property Tax	73,263	-	73,263
Sales Tax	2,204,128	-	2,204,128
Tourism Tax	1,308,000	-	1,308,000
Leases	310,483	237,258	547,741
Intergovernmental	1,057,579	-	1,057,579
Other	1,172,398	4,932	1,177,330
Water and sewer	-	773,389	773,389
Internal balances	(221,607)	221,607	-
Inventories	20,539	-	20,539
Unamortized bond issue costs	3,012,424	-	3,012,424
Restricted cash and investments	27,621,348	851,667	28,473,015
Capital Assets:			
Land and construction in progress, non-depreciable	109,860,162	3,784,962	113,645,124
Other capital assets, net of depreciation	101,303,001	70,527,186	171,830,187
Total assets	265,451,796	77,788,117	343,239,913
Liabilities			
Accounts payable and accrued expenses	928,351	398,300	1,326,651
Accrued interest payable	3,197,319	14,141	3,211,460
Unearned revenue	25,007	-	25,007
Due to other governments	249,031	-	249,031
Customer deposits	-	679,300	679,300
Long-term liabilities:			
Due in one year	4,429,800	303,597	4,733,397
Due in more than one year	191,478,076	809,532	192,287,608
Total liabilities	200,307,584	2,204,870	202,512,454
Net Assets			
Invested in capital assets, net of related debt	19,723,346	73,609,515	93,332,861
Restricted for:			
Debt service	29,408,885	172,367	29,581,252
Tourism and transportation	2,930,271	-	2,930,271
Nonexpendable perpetual care	3,860	-	3,860
Unrestricted	13,077,850	1,801,365	14,879,215
Total Net Assets	\$ 65,144,212	\$ 75,583,247	\$ 140,727,459

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Activities
For the Year Ended September 30, 2007

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 5,657,198	\$ 2,470,833	\$ 13,850	\$ -	\$ (3,172,515)	\$ -	\$ (3,172,515)
Public safety	5,708,173	43,849	-	174,449	(5,489,875)	-	(5,489,875)
Public works	8,120,098	13,740	-	150,069	(7,956,289)	-	(7,956,289)
Engineering	646,429	2,002	-	-	(644,427)	-	(644,427)
Community Development	863,180	740,409	-	-	(122,771)	-	(122,771)
Culture and recreation	2,010,813	1,164,916	31,772	-	(814,125)	-	(814,125)
Tourism	2,754,357	19,442	-	-	(2,734,915)	-	(2,734,915)
Interest on long-term debt	10,317,250	-	-	-	(10,317,250)	-	(10,317,250)
Total Governmental Activities	36,077,498	4,455,191	45,622	324,518	(31,252,167)	-	(31,252,167)
Business-Type Activities:							
Water and Sewer	7,938,306	5,195,680	-	596,804	-	(2,145,822)	(2,145,822)
Total Business-Type Activities	7,938,306	5,195,680	-	596,804	-	(2,145,822)	(2,145,822)
Total Primary Government	\$ 44,015,804	\$ 9,650,871	\$ 45,622	\$ 921,322	(31,252,167)	(2,145,822)	(33,397,989)
General Revenues:							
Taxes:							
Property taxes					2,061,835	-	2,061,835
Sales taxes					14,394,567	-	14,394,567
Tourism taxes					12,072,989	-	12,072,989
Intergovernmental activity taxes					2,757,897	-	2,757,897
Other taxes					1,052,967	-	1,052,967
Unrestricted investment earnings					3,802,081	45,957	3,848,038
Gain on disposal of capital assets					9,515	-	9,515
Transfers					(725,608)	725,608	-
Total general revenues and transfers					35,426,243	771,565	36,197,808
Changes in net assets					4,174,076	(1,374,257)	2,799,819
Net Assets-Beginning of year					60,970,136	76,957,504	137,927,640
Net Assets-End of year					\$ 65,144,212	\$ 75,583,247	\$ 140,727,459

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Balance Sheet - Governmental Funds
September 30, 2007

	General	Tourism Tax	Transportation Sales Tax	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and investments	\$ 11,539,681	\$ -	\$ 1,438,523	\$ 1,256,715	\$ 2,165,120	\$ 169,254	\$ 16,569,293
Receivables, net:							
Property Tax	73,263	-	-	-	-	-	73,263
Sales Tax	1,472,230	-	731,898	-	-	-	2,204,128
Tourism Tax	-	1,308,000	-	-	-	-	1,308,000
Leases	310,483	-	-	-	-	-	310,483
Intergovernmental	45,249	-	-	1,012,330	-	-	1,057,579
Other	22,769	-	-	-	1,149,629	-	1,172,398
Due from other funds	319,667	-	-	263,440	-	-	583,107
Restricted cash and investments	-	10,460,110	-	16,610,669	550,569	-	27,621,348
Inventories	20,539	-	-	-	-	-	20,539
Total assets	<u>\$ 13,803,881</u>	<u>\$ 11,768,110</u>	<u>\$ 2,170,421</u>	<u>\$ 19,143,154</u>	<u>\$ 3,865,318</u>	<u>\$ 169,254</u>	<u>\$ 50,920,138</u>
Liabilities							
Accounts payable	\$ 254,251	\$ 59,485	\$ 50,911	\$ -	\$ 30,763	\$ 45,519	\$ 440,929
Accrued expenditures	384,481	-	16,345	-	63,306	23,005	487,137
Deferred revenue	98,270	-	-	-	-	-	98,270
Due to other governments	36,435	-	18,217	194,379	-	-	249,031
Due to other funds	179,915	319,667	83,525	-	-	-	583,107
Total Liabilities	<u>953,352</u>	<u>379,152</u>	<u>168,998</u>	<u>194,379</u>	<u>94,069</u>	<u>68,524</u>	<u>1,858,474</u>
Fund Balances							
Reserved for:							
Encumbrances	162,572	107,342	56,300	-	1,678,310	15,659	2,020,183
Inventories	20,539	-	-	-	-	-	20,539
Debt service	-	10,460,110	-	18,948,775	-	-	29,408,885
Other purposes	-	-	-	-	550,569	3,860	554,429
Unreserved:							
Designated for:							
Contingencies and other	4,759,211	85,038	-	-	-	-	4,844,249
Undesignated, reported in:							
General fund	7,908,207	-	-	-	-	-	7,908,207
Special revenue fund	-	736,468	1,945,123	-	-	48,277	2,729,868
Capital projects fund	-	-	-	-	1,542,370	32,934	1,575,304
Total Fund Balances	<u>12,850,529</u>	<u>11,388,958</u>	<u>2,001,423</u>	<u>18,948,775</u>	<u>3,771,249</u>	<u>100,730</u>	<u>49,061,664</u>
Total liabilities and fund balances	<u>\$ 13,803,881</u>	<u>\$ 11,768,110</u>	<u>\$ 2,170,421</u>	<u>\$ 19,143,154</u>	<u>\$ 3,865,318</u>	<u>\$ 169,254</u>	<u>\$ 50,920,138</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Assets
September 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:

Ending fund balances - total governmental funds	\$	49,061,664
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Governmental funds report capital outlays as expenditures. However, in the Statement of Net Assets the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Assets		211,163,163
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Long-term assets are not available to pay for current period expenditures and are therefore deferred in the fund statements		73,263
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Bond issuance costs, net		3,012,424
Accrued interest payable		(3,197,319)
Long-term debt		(195,907,876)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service fund are reported with governmental activities in the statement of net assets. Internal service fund capital assets of \$1,661,826 are included above.		938,893
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Total net assets of governmental activities	\$	65,144,212
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CITY OF BRANSON, MISSOURI
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2007

	General	Tourism Tax	Transportation Sales Tax	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 10,965,902	\$ 11,810,276	\$ 4,449,889	\$ 2,214,017	\$ -	\$ 103,728	\$ 29,543,812
Licenses and permits	1,205,100	-	-	-	-	-	1,205,100
Court Fines	429,633	-	-	-	-	-	429,633
Lease and rent	1,118,492	-	-	-	-	-	1,118,492
Charges for services	1,043,288	-	-	-	-	1,085,598	2,128,886
Intergovernmental	185,427	-	-	-	23,865	-	209,292
Intergovernmental activity taxes	-	-	-	2,757,897	-	-	2,757,897
Interest Income	867,220	1,026,136	-	1,557,935	350,790	-	3,802,081
Donations and other	11,224	-	-	-	33,287	31,772	76,283
Miscellaneous	123,978	19,442	-	-	84,565	79,318	307,303
Total revenues	<u>15,950,264</u>	<u>12,855,854</u>	<u>4,449,889</u>	<u>6,529,849</u>	<u>492,507</u>	<u>1,300,416</u>	<u>41,578,779</u>
Expenditures:							
Current:							
General government	5,190,074	-	-	-	-	-	5,190,074
Public safety	5,798,774	-	-	-	-	-	5,798,774
Public works	1,246,598	-	1,470,033	-	-	-	2,716,631
Engineering	617,045	-	-	-	-	-	617,045
Community Development	845,237	-	-	-	-	-	845,237
Culture and recreation	-	-	-	-	-	1,838,694	1,838,694
Tourism	-	2,995,042	-	-	-	-	2,995,042
Capital outlay	-	-	-	-	36,981,252	-	36,981,252
Debt service:							
Principal retirement	-	2,157,000	-	1,200,000	-	-	3,357,000
Interest and fiscal charges	-	1,909,197	-	6,414,907	2,021,859	-	10,345,963
Total expenditures	<u>13,697,728</u>	<u>7,061,239</u>	<u>1,470,033</u>	<u>7,614,907</u>	<u>39,003,111</u>	<u>1,838,694</u>	<u>70,685,712</u>
Excess of revenues over (under) expenditures	<u>2,252,536</u>	<u>5,794,615</u>	<u>2,979,856</u>	<u>(1,085,058)</u>	<u>(38,510,604)</u>	<u>(538,278)</u>	<u>(29,106,933)</u>
Other financing sources (uses):							
Refunded bonds issued	-	1,840,000	-	-	-	-	1,840,000
Payment to refunded bond escrow agent	-	(1,681,461)	-	-	-	-	(1,681,461)
Transfers in	1,332,553	-	-	3,749,022	8,095,235	500,000	13,676,810
Transfers out	(4,389,028)	(6,383,593)	(1,373,639)	(57,136)	(2,199,022)	-	(14,402,418)
Total other financing sources (uses)	<u>(3,056,475)</u>	<u>(6,225,054)</u>	<u>(1,373,639)</u>	<u>3,691,886</u>	<u>5,896,213</u>	<u>500,000</u>	<u>(567,069)</u>
Net change in fund balances	<u>(803,939)</u>	<u>(430,439)</u>	<u>1,606,217</u>	<u>2,606,828</u>	<u>(32,614,391)</u>	<u>(38,278)</u>	<u>(29,674,002)</u>
Fund balances - beginning of year	<u>13,654,468</u>	<u>11,819,397</u>	<u>395,206</u>	<u>16,341,947</u>	<u>36,385,640</u>	<u>139,008</u>	<u>78,735,666</u>
Fund balances - end of year	<u>\$ 12,850,529</u>	<u>\$ 11,388,958</u>	<u>\$ 2,001,423</u>	<u>\$ 18,948,775</u>	<u>\$ 3,771,249</u>	<u>\$ 100,730</u>	<u>\$ 49,061,664</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(29,674,002)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital outlay		37,460,426
Depreciation expense		(6,853,979)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue		38,546
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The issuance of long-term debt (eg. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments		3,357,000
Debt issued		(1,840,000)
Payment to escrow agent		1,681,461
Amortization of issuance costs and deferred amounts, net		(16,203)
Interest and fiscal charges		44,916

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences		(138,553)
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Internal service funds are used by management to charge the costs of vehicles and equipment replacement to individual funds. The net revenue of certain activities of the Internal Service fund is reported with governmental activities.

		114,464
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Total changes in net assets of governmental activities	\$	4,174,076
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CITY OF BRANSON, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2007

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (negative)
Revenues:			
Taxes	\$ 10,826,896	\$ 10,965,902	\$ 139,006
Licenses and permits:	967,175	1,205,100	237,925
City court fines	260,000	429,633	169,633
Lease and rent	1,553,833	1,118,492	(435,341)
Charges for services	1,677,500	1,043,288	(634,212)
Intergovernmental	18,560	185,427	166,867
Interest Income	550,000	867,220	317,220
Donations and other	-	11,224	11,224
Miscellaneous	263,450	123,978	(139,472)
Total revenues	16,117,414	15,950,264	(167,150)
Expenditures:			
General government:			
Mayor and board	129,490	92,711	36,779
City Administration	504,596	688,025	(183,429)
Human Resources	265,532	239,529	26,003
Administrative Services	3,513,169	2,951,319	561,850
Finance	701,459	718,493	(17,034)
Legal	605,200	431,837	173,363
Total general government	5,719,446	5,121,914	597,532
Public safety:			
Police	3,289,141	3,181,236	107,905
Fire	2,461,850	2,616,627	(154,777)
Total public safety	5,750,991	5,797,863	(46,872)
Public works	1,271,440	1,304,807	(33,367)
Engineering	648,938	625,119	23,819
Community Development	815,011	847,632	(32,621)
Total expenditures	14,205,826	13,697,335	508,491
Excess of revenues over (under) expenditures	1,911,588	2,252,929	341,341
Other Financing Sources (Uses):			
Transfers in	-	1,332,553	1,332,553
Transfers out	(2,109,898)	(4,389,028)	(2,279,130)
Total other financing sources (uses)	(2,109,898)	(3,056,475)	(946,577)
Change in fund balances	\$ (198,310)	(803,546)	\$ (605,236)
Fund balance, beginning of year		13,491,503	
Fund balance - end of year - budget basis		12,687,957	
Adjustments:			
Encumbrances		162,572	
Fund balance - end of year - GAAP basis		\$ 12,850,529	
Net change in fund balance - budget basis		\$ (803,546)	
Adjustments:			
Encumbrances - beginning of year		(162,965)	
Encumbrances - end of year		162,572	
Net change in fund balance - GAAP basis		\$ (803,939)	

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Tourism Tax Fund
For the Year Ended September 30, 2007

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (negative)
Revenues:			
Taxes	\$ 10,321,249	\$ 11,810,276	\$ 1,489,027
Interest Income	724,000	1,026,136	302,136
Miscellaneous	160,000	19,442	(140,558)
Total revenues	11,205,249	12,855,854	1,650,605
Expenditures:			
Tourism	3,092,250	2,910,464	181,786
Debt service:			
Principal	2,157,000	2,157,000	-
Interest and fiscal charges	1,782,677	1,909,197	(126,520)
Total expenditures	7,031,927	6,976,661	55,266
Excess of revenues over expenditures	4,173,322	5,879,193	1,705,871
Other financing sources (uses)			
Refunded bonds issued	-	1,840,000	1,840,000
Payment to refunded bond escrow agent	-	(1,681,461)	(1,681,461)
Transfers out	(5,273,322)	(6,383,593)	(1,110,271)
Total other financing sources (uses)	(5,273,322)	(6,225,054)	(951,732)
Change in fund balances	<u>\$ (1,100,000)</u>	<u>(345,861)</u>	<u>\$ 754,139</u>
Fund balance, beginning of year		<u>11,627,477</u>	
Fund balance - end of year - budget basis		11,281,616	
Adjustments:			
Encumbrances		<u>107,342</u>	
Fund balance - end of year - GAAP basis		<u>\$ 11,388,958</u>	
Net change in fund balance - budget basis		\$ (345,861)	
Adjustments:			
Encumbrances - beginning of year		(191,920)	
Encumbrances - end of year		107,342	
Net change in fund balance - GAAP basis		<u>\$ (430,439)</u>	

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Transportation Sales Tax Fund
For the Year Ended September 30, 2007

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (negative)
Revenues:			
Taxes	\$ 4,000,000	\$ 4,449,889	\$ 449,889
Other	20,000	-	(20,000)
Total revenues	<u>4,020,000</u>	<u>4,449,889</u>	<u>429,889</u>
Expenditures:			
Public works	<u>1,722,752</u>	<u>1,316,005</u>	<u>406,747</u>
Excess of revenues over expenditures	2,297,248	3,133,884	836,636
Other financing sources (uses):			
Transfers out	<u>(1,770,000)</u>	<u>(1,373,639)</u>	<u>396,361</u>
Change in fund balances	<u>\$ 527,248</u>	<u>1,760,245</u>	<u>\$ 1,232,997</u>
Fund balance, beginning of year		<u>184,878</u>	
Fund balance - end of year - budget basis		1,945,123	
Adjustments:			
Encumbrances		<u>56,300</u>	
Fund balance - end of year - GAAP basis		<u>\$ 2,001,423</u>	
Net change in fund balance - budget basis		\$ 1,760,245	
Adjustments:			
Encumbrances - beginning of year		(210,328)	
Encumbrances - end of year		56,300	
Net change in fund balance - GAAP basis		<u>\$ 1,606,217</u>	

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Net Assets
Proprietary Funds
September 30, 2007

	Enterprise Water and Sewer	Internal Service Equipment Replacement
Assets		
Current assets:		
Cash and investments	\$ 1,387,116	\$ 1,160,785
Restricted cash and investments	679,300	-
Receivables (net of allowances for uncollectibles)		
Water and sewer billings	773,389	-
Leases	237,258	-
Other	4,932	-
Total current assets	<u>3,081,995</u>	<u>1,160,785</u>
Noncurrent assets:		
Restricted cash and investments	172,367	-
Capital Assets:		
Land and improvements	3,784,962	-
Other capital assets, net of depreciation	70,527,186	1,661,826
Total capital assets	<u>74,484,515</u>	<u>1,661,826</u>
Total noncurrent assets	<u>74,484,515</u>	<u>1,661,826</u>
Total assets	<u>77,566,510</u>	<u>2,822,611</u>
Liabilities		
Current liabilities:		
Accounts payable	212,016	285
Accrued expenses	78,544	-
Accrued interest	14,141	-
Utility deposits	679,300	-
Other liabilities	107,740	-
Long-term debt due in one year	303,597	-
Total current liabilities	<u>1,395,338</u>	<u>285</u>
Noncurrent liabilities:		
Accrued compensated absences	59,532	-
Long-term debt	750,000	-
Total noncurrent liabilities	<u>809,532</u>	<u>-</u>
Total liabilities	<u>2,204,870</u>	<u>285</u>
Net Assets		
Invested in capital assets, net of related debt	73,609,515	1,661,826
Restricted	172,367	-
Unrestricted	1,579,758	1,160,500
Total net assets	<u>75,361,640</u>	<u>\$ 2,822,326</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities	<u>221,607</u>	
Net assets of business-type activities	<u>\$ 75,583,247</u>	

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2007

	<u>Enterprise Water and Sewer</u>	<u>Internal Service Equipment Replacement</u>
Operating revenues:		
Charges for services (pledged as security for revenue bonds):		
Water	\$ 2,461,080	\$ -
Sewer	2,149,684	-
Rental income	-	554,790
Miscellaneous	5,514	-
Total operating revenues	<u>4,616,278</u>	<u>554,790</u>
Operating expenses:		
Personal services	2,508,990	-
Contractual services	1,844,460	-
Commodities	581,047	285
Depreciation	2,949,332	420,040
Total operating expenses	<u>7,883,829</u>	<u>420,325</u>
Operating income (loss)	<u>(3,267,551)</u>	<u>134,465</u>
Nonoperating revenues (expenses):		
Sewer capacity fees	579,402	-
Interest income	45,957	-
Intergovernmental	596,804	-
Gain on disposal of capital assets	-	9,515
Interest expense	(83,993)	-
Total nonoperating revenues	<u>1,138,170</u>	<u>9,515</u>
Income (loss) before transfers	(2,129,381)	143,980
Transfers in	<u>725,608</u>	<u>-</u>
Change in net assets	(1,403,773)	143,980
Total net assets-beginning of year	<u>76,765,413</u>	<u>2,678,346</u>
Total net assets-end of year	<u>\$ 75,361,640</u>	<u>\$ 2,822,326</u>
Change in net assets	\$ (1,403,773)	
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities	<u>29,516</u>	
Change in net assets of business-type activities	<u>\$ (1,374,257)</u>	

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Cash Flows -
Proprietary Funds
For the Year Ended September 30, 2007

	Enterprise Water and Sewer	Internal Service Equipment Replacement
Cash flows from operating activities:		
Receipts from customers	\$ 4,832,892	\$ 554,790
Payments to suppliers	(2,403,189)	-
Payments to employees for services	(2,505,253)	-
Net cash provided by (used in) operating activities	<u>(75,550)</u>	<u>554,790</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(844,147)	(330,092)
Proceeds from sales of capital assets	-	29,984
Principal paid on capital debt	(115,000)	-
Interest and bond cost paid on capital debt	(69,852)	-
Intergovernmental	596,804	-
Sewer capacity fees	579,402	-
Net cash (used in) capital and related financing activities	<u>147,207</u>	<u>(300,108)</u>
Cash flows from noncapital financing activities:		
Transfers from other funds	<u>725,608</u>	<u>-</u>
Cash flows from investment activities:		
Interest and dividends	<u>45,957</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>45,957</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	843,222	254,682
Cash and cash equivalents, beginning of year	<u>1,395,561</u>	<u>906,103</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,238,783</u></u>	<u><u>\$ 1,160,785</u></u>
Reconciliation of operating income (loss) to net cash provided provided by (used in) operating activities		
Operating income (loss)	\$ (3,267,551)	\$ 134,465
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	2,949,332	420,040
Change in assets and liabilities:		
Receivables (net)	71,851	-
Accounts and other payables	22,318	285
Accrued expenses	3,737	-
Utility deposits	144,763	-
Net cash provided by (used in) operating activities	<u><u>\$ (75,550)</u></u>	<u><u>\$ 554,790</u></u>
Cash consists of :		
Cash and investments	\$ 1,387,116	\$ 1,160,785
Restricted cash and investments	851,667	-
	<u><u>\$ 2,238,783</u></u>	<u><u>\$ 1,160,785</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF BRANSON, MISSOURI
Statement of Net Assets -
Fiduciary Funds
September 30, 2007

	Agency Fund Landscape Trust
Assets	
Cash and cash equivalents	\$ 1,178,135
Liabilities	
Due to others	\$ 1,178,135

See Accompanying Notes to the Basic Financial Statements

City of Branson, Missouri
Notes to the Basic Financial Statements
September 30, 2007

1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Branson, Missouri is a municipal corporation governed by an elected mayor and a six member Board of Aldermen. In evaluating the City's financial reporting entity, management has considered all potential component units and has determined there are no component units over which the City is financially accountable. Financial accountability is based primarily on non-operational or financial relationships with the City (as distinct from legal relationships). These statements include all the accounts for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. The agency fund does not have a measurement focus, but does use the accrual basis of accounting to present its financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental fund revenues except property taxes for which a 60-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Branson, Missouri
Notes to the Basic Financial Statements
September 30, 2007

Property taxes, tourism taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are; however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City' therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

The City reports the following major funds:

Major Governmental Funds

General Fund – Is used to account for the general operations of the City and all unrestricted revenues and expenditures not required to be accounted for in other funds.

Tourism Tax Fund – is used to account for the proceeds of tourism tax requiring separate accounting because of legal or regulatory provisions or administrative action.

Transportation Sales Tax Fund – is used to account for the proceeds of transportation sales tax requiring a separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Fund – is used to account for the accumulation of resources for the payment of principal and interest on long-term debt.

Capital Projects Fund – is used to account for the acquisition, construction and renovation of major capital facilities.

Major Proprietary Funds

Water and Sewer Fund – accounts for the activities of the water distribution system, the sewage treatment plant and the sewage pumping stations and collection systems

Additionally, the government reports the following fund types:

Internal service fund to account for fleet management services provided to other departments on a cost reimbursement basis.

Agency funds are used to account for activities not involving the measurement of results of operations because they are custodial in nature. The City's agency fund is used to account for landscape and tree deposits held by the City as an agent for property owners who have applied for building permits.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Branson, Missouri
Notes to the Basic Financial Statements
September 30, 2007

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, producing, and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash and investments of the individual funds are combined to form a pool, which is managed by the Finance Department. Each fund's equity in the pool is included in "cash and investments" in the financial statements. Investment earnings, including interest income, are allocated to the funds required to accumulate interest. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

The investments consist of short-term money market mutual funds held in trust for debt service reserve requirements. The money market mutual funds are recorded at fair value.

Statement of Cash Flows

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown net of an allowance for uncollectibles. An allowance of \$141,985 is recorded at September 30, 2007.

Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Cash and Investments

The City is statutorily required to maintain customer utility deposits separate from City assets. Interest earned is credited back to customers. Restricted cash and investments are also set aside for debt service payments and for required debt reserves.

City of Branson, Missouri
Notes to the Basic Financial Statements
September 30, 2007

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. Capital assets are defined as assets with an initial individual cost of more that \$ 5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The City capitalizes interest on the construction of business-type capital assets when material.

The city's capital assets are depreciated using the straight-line method over the estimated useful life of the capital assets. The estimated useful lives are:

Water and sewer treatment plants	40 - 50 years
Water and sewer mains and lines	20 - 40 years
Equipment	5 - 10 years
Buildings and fixtures	30 years
Furniture	5 - 10 years
Infrastructure	10 - 20 years
Vehicles	2 - 7 years

Compensated Absences

City policies permit full-time employees to accumulate sick pay benefits and vacation time based on the number of years of service. Accumulated vacation payable is recorded when incurred in the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, a liability is reported only if it has matured, for example, as a result of employee resignations and retirements. One-half of accumulated sick leave is paid to employees upon leaving the City in good standing. This amount of sick leave is recorded in the government-wide and proprietary fund statements with the amount due within one year estimated based on past payouts.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance cost, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance cost are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the accrual debt proceeds received, are reported as debt services expenditures.

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Equity Classifications

In the government-wide statements, equity is shown as net assets and classified into three components:

- (1) Invested in capital assets, net of related debt – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net assets – consisting of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- (3) Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Pending Governmental Accounting Standards Board Statements

At September 30, 2007, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term “other postemployment benefits” refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2007.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, was issued in September 2006. This Statement establishes standards for the measurement, recognition, and display of transactions in which the government exchanges an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments. The provisions of this statement are effective for periods beginning after December 15, 2006.